JAB TECHNOLOGIES LIMITED

A.B.N. 42 087 426 953

AND CONTROLLED ENTITIES

FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2005

This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2005 and any public announcements made by Jab Technologies Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

JAB TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

FINANCIAL REPORT FOR THE HALF-YEAR ENDED

31 DECEMBER 2005

Contents	**Page**

Company Directory

Directors

Robert Murdoch (Chairman)
Stephen Ioannides (Director)
Sean Stark (Director)

Company Secretary

John Lemon – BA, LLB (Hons)

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Auditors, Accountants & Advisors
Level 21
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BRISBANE QLD 4000

Solicitors

Hopgood Ganim Lawyers
Level 8
Waterfront Place
1 Eagle Street
BRISBANE QLD 4000

Stock Exchange Listing

Jab Technologies Limited shares and options are quoted on the Newcastle Stock Exchange and coded as “JAB” and “JABO” respectively.

Web Site

www.jabtechnologies.com.au

Directors' Report

The Board of Directors of Jab Technologies Limited ("the Company") present their report of the financial half-year ended 31 December 2005.

DIRECTORS

The names and details of the directors of Jab Technologies Limited in office at the date of this report are:

R B Murdoch B.A. (Earth Sciences), M.A.I.M.M., M.A.I.G.
(Chairman)

Robert Boutflower Murdoch provides Jab Technologies Limited with the corporate business and capital raising expertise required in a listed company. He has built Jab into a diversified international investment company with interests also in the technologies and telecommunications industries. He has been instrumental in the initiation of the Jabmail business concept and has ensured that the financial support has been made available to Jab for Research and Development. He is currently a director of Jab Technologies Limited, Union Resources Limited, Gold Aura Limited and Austex Mining NL. His special duties include being a member of the Audit Committee.

Director since May 1999.

S Ioannides
(CEO/Executive Director)

Stephen Ioannides has 20 years technology related sales and business development, consulting, product and software project management experience in Australia and overseas including Trysoft Corporation, Co-Cam Australia, Dialog Information Technology, ANZ Banking Group, NCR and Honeywell. He has successfully grown a number of IT related businesses, and has a successful track record providing project based services to companies such as Westpac, Optus, Queensland Rail, Energex, Suncorp-Metway and Brisbane City Council. He has previously held a public company directorship with Trysoft Corporation Limited.

Director since 12 July 2004.

S Stark
(Non-Executive Director)

Sean Stark has more than 20 years IT industry experience that includes the management of complex IT projects within Australia, Europe and across several Asian countries. His extensive career with IBM encompassed a diverse mix of consulting and senior management roles including research and development and international technical support positions.

Until recently he was the executive responsible for managing IBM's eSites business across the Asia Pacific region, and prior to that, the Queensland manager of IBM Global Services eBusiness consulting practice. He holds a Bachelor of Science in Computer Science and Mathematics, and an MBA from the University of Queensland and is a member of the Australian Institute of Company Directors. His special responsibilities include being a member of the Audit Committee and providing advice to the Board on nomination and remuneration matters.

Director since 17 November 2004.

All Directors shown were in office for the entire half year and up to the date of this report, unless otherwise stated.

On behalf of the Board of Jab Technologies Limited, we are pleased to report on the activities of the Company over the last 6 months.

Principal Activities

Jab Technologies Limited ("Jab") is an Australian company specialising in e-business technology solutions and services associated with digital communications, email marketing, rapid commercial website development and internet payments. Jab is listed with the Newcastle Stock Exchange – (www.newsx.com.au – stock code: JAB).

The six month period to December 2005 has been a very demanding and busy period, with a significant workload shouldered by a very small group. However, progress has been steady and we expect that the pace of that progress will accelerate as Jab moves more fully into commercialisation of its products and services during 2006.

The company activities are structured into 3 streams:

- EZBiz – A set of bureau based internet services;
- Professional Services - Providing project based consulting; and
- Strategic Alliances – Strategic alliances and merger and acquisition activities under the direction of the board.

Directors' Report (continued)

Introduction – JAB's EZBiz Initiative

Jab's business strategy is to establish a portfolio of electronic e-business bureau services. These will provide better and easier access to internet e-business capabilities for small to medium sized businesses and professional groups.

Jab's Initial Public Offering last year enabled the company to list on Newcastle Stock Exchange. Additionally, funding raised via the IPO is being used to complete Jab's first stage EZBiz technology service for launch into the Australian market. The Newcastle Stock Exchange is regarded as a mezzanine exchange and therefore was well suited to this current stage of Jab's growth.

What is EZBiz?

EZBiz (pronounced Easy–Biz) is a suite of integrated products to easily design, launch and operate internet business services. EZBiz incorporates automated facilities for:

- Internet domain registration;
- Hosting and email wet-up;
- Website generation with full e-Commerce;
- Email marketing and newsletter / e-Zine facilities; and
- Email based business automation and collaboration services.

EZBiz will allow a customer to automatically "generate" various e-business services with minimal manual or user intervention.

Jab intends to offer EZBiz via a channel of boutique e-business service providers and re-sellers. A centralised customer support centre will be maintained in Brisbane.

EZYBiz Billing System

The EZBiz system will bill customers electronically via our EZPay on-line payment facility. This payment service offers both pre-paid debit account billing, and also instalment based (credit) payments. When fully implemented and commercialised, this service will appeal to a wide range of businesses.

Highlights for six months ending December 2005

- The Newcastle Stock Exchange approved Jab Technologies Limited Ordinary and Options Securities to the official list on 16 September 2005.
- Jab enters into an agreement to acquire Gumnut's e-business assets and customer base. These included: hosting services; domain registration services; and their Easy/Sites/Ezyweb system.
- Enhancement of the EZBiz system commences to build additional functionality for managing Hosting and Domain Registration services.
- In Dec 2005, the Company arranged a three year lease on premises located on Level 3 / 200 Creek St, Brisbane. This will improve operational, sales and administration management.
- Commercialisation activities for EZBiz are scheduled for first quarter 2006.

Likely developments and expected results of operations

The Company maintains a watch for further acquisitions and merger opportunities that are compatible with the strategic directions of the business and will add value to the shareholders of Jab.

Indemnification and insurance of directors and officers

Jab Technologies Limited carries insurance that indemnifies directors and officers of the company in relation to all liabilities and expenses arising as a result of the performance of their duties in their respective capacities indemnified to the extent permitted by law.

Directors' Report (continued)

Auditors' independence

Section 307C of the Corporations Act 2001 requires the Company's auditors, Pitcher Partners, to provide the directors with a written Independence Declaration in relation to their review of the financial report for the period ended 31 December 2005. The written Auditor's Independence Declaration is attached to the Directors' Report and forms part of this Directors' Report.

Rounding

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the rounding of amounts in the financial report. Amounts in the financial report have been rounded in accordance with that Class Order to the nearest dollar.

S Ioannides

Director

Brisbane, 16 March 2006

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AN INDEPENDENT MEMBER OF BAKER TILLY INTERNATIONAL - OFFICES THROUGHOUT THE WORLD

Auditor's Independence Declaration
to the Directors of Jab Technologies Limited

In relation to our review of the half-year financial report of Jab Technologies Limited and its controlled entities for the half-year ended 31 December 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

PITCHER PARTNERS

R J St Clair
Partner

Brisbane, 16 March 2006

Consolidated Income Statement

For the half-year ended 31 December 2005	Notes	DECEMBER 2005 $	DECEMBER 2004 $
Continuing operations			
Revenues from continuing operations	2	**67,084**	11,849,677
Expenses from continuing operations	1(s)(iii),2,7	**(310,268)**	(145,095)
Loss before income tax		**(243,184)**	11,704,582
Income tax expense		**—**	—
Loss from continuing operations		**(243,184)**	11,704,582
Loss attributable to members of Jab Technologies Limited		**(243,184)**	11,704,582
Loss per share for loss attributable to the ordinary equity holders of the Company		**Cents**	**Cents**
Basic/(loss) per share (cents per share)		**(1.22)**	107.65
Diluted/(loss) per share (cents per share)		**(1.22)**	107.65

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 31 December 2005	Notes	31 DECEMBER 2005 $	30 JUNE 2005 $
ASSETS			
Current assets			
Cash and cash equivalents		**383,066**	131,858
Prepaid Insurance		**11,489**	51,595
Receivables		**9,190**	11,333
Total financial assets		**403,745**	194,786
Non-current assets			
Intangible assets		**25,000**	—
Property, plant and equipment		**8,019**	7,552
Deferred expense	1(s)(iii),7	**58,140**	4,631
Total non-current assets		**91,159**	12,183
Total assets		**494,904**	206,969
LIABILITIES			
Current liabilities			
Payables		**76,636**	65,369
Provisions		**4,595**	2,946
Total current liabilities		**81,231**	68,315
Non-current liabilities			
Provision		**(751)**	4,168
Total non-current liabilities		**(751)**	4,168
Total liabilities		**80,480**	72,483
Net assets		**414,424**	134,486
EQUITY			
Contributed equity	5	**2,228,559**	1,824,833
Option holders' equity	1(s)(iii),7	**119,396**	—
Retained profits		**(1,933,531)**	(1,690,347)
Parent entity interest		**414,424**	134,486
Total equity		**414,424**	134,486

The above consolidated balance statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2005	Notes	DECEMBER 2005 $	DECEMBER 2004 $
Total equity at the beginning of the half-year		**134,486**	(13,246,608)
Adjustment on adoption of AASB 132 and AASB 139, net of tax			
Directors' options	1(s)(iii),7	**119,396**	—
Net income recognised directly in equity		**119,396**	—
Profit for the half-year		**(243,184)**	11,704,582
Total recognised income and expense for the half-year		**123,788**	11,704,582
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs	5	**156,150**	1,452,992
Total equity at the end of the half-year		**414,424**	(89,034)
Total recognised income and expense for the half-year is attributable to:			
Members of Jab Technologies Limited		**123,788**	11,704,582
		123,788	11,704,582

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2005	Notes	DECEMBER 2005 $	DECEMBER 2004 $
Cash flows from operating activities			
Cash receipts from customers (inclusive of goods and services tax)		**10,646**	4,505
Receipt of R & D tax concession		**50,226**	—
Payment to suppliers and employees (inclusive of goods and services tax)		**(219,603)**	(138,837)
Interest received and other receivables		**6,213**	3,142
Net cash (outflow) from operating activities		**(152,518)**	(131,190)
Cash flows from investing activities			
Loans from related parties		—	68,695
Other receivables		—	2,625
Net cash (inflow) from investing activities		—	71,320
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	5	**156,150**	—
Net cash inflow from financing activities		**156,150**	—
Net increase in cash and cash equivalents		**251,208**	—
Cash and cash equivalents at the beginning of the year		**131,858**	65,646
Cash and cash equivalents at the end of the half-year		**383,066**	5,776

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. Summary of significant accounting policies

This general purpose financial report for the interim half year reporting period ended 31 December 2005 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2005 and any public announcements made by Jab Technologies Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(a) Basis of preparation of half-year financial report

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards
This interim financial report is the first Jab Technologies Limited interim financial report to be prepared in accordance with AIFRS. AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Jab Technologies Limited until 30 June 2005 have been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Jab Technologies Limited interim financial report for the half-year ended 31 December 2005, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 139 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Group's equity and its net income are given in Note 7.

Early adoption of standard
The Group has elected to apply AASB 119 *Employee Benefits* (issued in December 2004) to the reporting periods beginning 1 July 2005. This includes applying AASB 119 to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.*

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Jab Technologies Limited ("company" or "parent entity") as at 31 December 2005 and the results of all subsidiaries for the half-year then ended. Jab Technologies Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(i)).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Joint Ventures

Joint venture operations

The proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings.

Joint venture entities

The interest in a joint venture partnership is accounted for in the consolidated financial statements using the equity method and is carried at cost by the parent entity. Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet.

Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Jab Technologies Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

(iii) Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Jab Technologies Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

(g) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

(g) Leases (continued)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(h) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(t)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(i) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 120 days from the date of recognition for land development and resale debtors, and no more than 30 days for other debtors.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(l) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

(l) Non-current assets (or disposal groups) held for sale (continued)

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

(m) Investments and other financial assets

From 1 July 2004 to 30 June 2005
The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139. For further information on previous AGAAP refer to the annual report for the year ended 30 June 2005.

Adjustments on transition date: 1 July 2005
The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost (refer below), fair value is the measurement basis. Fair value is inclusive of transaction costs. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) changes to carrying amounts are taken to retained earnings or reserves.

From 1 July 2005
The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables
Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(iii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

(m) Investments and other financial assets

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(n) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(o) Property, plant and equipment

Land and buildings (except for investment properties - refer to note 1(s)) are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited to other reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit and loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or re-valued amount, net of their residual values, over their estimated useful lives.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When re-valued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

(p) Intangible assets

Expenditure on research activities, undertaken with the prospect of obtaining new technical knowledge and understanding, is recognised in the income statement as an expense when it is incurred.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) Provisions

Provisions for legal claims and service warranties are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(s) Employee benefits

(i) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments
Where share-based compensation benefits are provided to employees via an employee option plan and an employee share scheme, the following apply:

Shares options granted before 7 November 2002 and/or vested before 1 January 2005
No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Shares options granted after 7 November 2002 and vested after 1 January 2005
The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

(t) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(u) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the half-year, adjusted for bonus elements in ordinary shares issued during the half-year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(v) Financial instrument transaction costs

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The Group has applied previous Australian GAAP (AGAAP) in the comparative information on financial instruments within the scope of AASB 132 and AASB 139. Under previous AGAAP transaction costs were excluded from the amounts disclosed in the financial statements. Under AIFRS such costs are included in the carrying amounts. At the date of transition to AASB 132 and AASB 139 the adjustment to carrying amounts for the Group was immaterial.

(w) Rounding of amounts

The company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest dollar.

Notes to the Financial Statements

	Note	DECEMBER 2005 $	DECEMBER 2004 $
2. Profit for the half- year			
Profit/(loss) for the half-year includes the following revenues and expenses:			
Revenues from continuing operations:			
Sales		**10,646**	3,552
Interest received – unrelated parties		**6,212**	3,142
Government R & D tax concession		**50,226**	—
Debt forgiveness income		**—**	11,842,983
Total revenue from continuing activities		**67,084**	11,849,677
Expenses from continuing activities			
Audit fees		**3,500**	—
Employee benefits		**43,966**	34,465
Consulting fees		**133,365**	60,637
Directors' expenses		**8,866**	—
Depreciation & Amortisation		**2,076**	1,931
Insurance		**—**	2,518
Listing fees		**7,124**	13,500
Occupancy expenses		**—**	2,437
Share registry /meeting costs		**11,313**	19,172
Telephone		**725**	1,182
Advertising		**3,473**	1,420
Directors' options	1(s)(iii), 7	**61,256**	—
General administration expenses		**34,604**	7,833
Total expenses from continuing activities		**310,268**	145,095

3. Dividend paid or provided for on ordinary shares

No dividends have been paid as at 31 December 2005.

4. Contingent assets and liabilities

(a) Contingent liabilities

The parent entity and Group are not aware of any contingent liabilities that need to be disclosed as at 31 December 2005.

(b) Contingent assets

The parent entity and Group are not aware of any contingent assets that need to be disclosed as at 31 December 2005.

Notes to the Financial Statements

5. Equity securities issued

	Half-year 2005 Shares	Half-year 2004 Shares	Half-year 2005 $	Half-year 2004 $
Issues of ordinary shares during the half-year				
(a) Ordinary shares fully paid	**14,862,911**	11,947,882	**2,267,054**	1,824,833
(b) Movement in shares on issue				
On issue at the beginning of the half-year	**11,947,882**	10,000	**1,824,833**	10
Placement of shares at 8 cents	—	3,982,882	—	318,631
Directors in lieu of fees at 8 cents	—	665,000	—	53,200
Share purchase plan at 20 cents	—	7,290,000	—	1,458,000
Prospectus shares at 20 cents	**2,865,029**	—	**573,005**	—
Prospectus underwriting issue of shares at 20 cents	**50,000**	—	**10,000**	—
Issue costs	—		**(179,279)**	(5,008)
On issue at the end of the half-year	**14,862,911**	11,947,882	**2,228,559**	1,824,833

6. Events occuring after the balance sheet date

There were no significant events that occurred after the balance sheet date.

7. Impact of adoption of Australian equivalents to the International Financial Reporting Standards

The consolidated entity changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards (IFRS). The transition to AIFRS is accounted for in accordance with Accounting Standards AASB 1 "First-time Adoption Equivalents to International Financial Reporting Standards with 1 July 2004 as the date of transition, except for financial instruments, including derivatives, where the date of transition is 1 July 2005.

a) Reconciliation of equity as reported under previous AGAAP to that under IFRS. The adoption of AIFRS has not resulted in any material adjustments to the balance sheet presented under AGAAP

	CONSOLIDATED 30 Jun 2005 $'000	31 Dec 2004 $'000	1 Jul 2004 $'000
Total equity under previous AGAAP	**134,486**	89,034	13,246,608
Changes from AGAAP to IFRSs	—	—	—
Total equity under IFRS	**134,486**	89,034	13,246,608

b) Reconciliation of profit under previous AGAAP to that under IFRS's (AIFRS). The adoption of AIFRS has not resulted in any material adjustments of income statement presented under AGAAP.

	CONSOLIDATED 30 Jun 2005 $'000	31 Dec 2004 $'000
Profit after tax under previous AGAAP	**11,556,272**	11,704,582
Changes from AGAAP to IFRSs	—	—
Total equity under AIFRS	**11,556,272**	11,704,582

c) Explanation of material adjustment to the cash flow statement

There is no material difference of cash flow statements presented under AIFRS and those presented under AGAAP.

Notes to the Financial Statements

8. Share-based payment for Directors

The company has entered into Agreements with Directors Sean Stark and Jaz Software Pty Ltd ("Jaz") an entity associated with Director Stephen Ioannides under which options may vest progressively for Mr Stark and Jaz upon the happening of certain pre-conditions.

Consultancy Agreement
The Agreement commenced on 6 June 2005 and under this Agreement, the company has engaged Jaz in the area of executive public company management and such other services as may be required by the Company ("the services") for the period of two (2) years after the Company has listed on the NSX and has also secured the services of Mr Stephen Ioannides to act as Chief Executive Office of the Company. Mr Ioannides will be responsible for the corporate management and administration of the company.

For the provision of Services under the Agreement, Jaz will be:

a) paid a fee of $11,400 per month (exclusive GST); and

b) issued with a total of 1,920,000 options to subscribe for ordinary shares in the capital of the Company on the last trading day of the month in which Jab Technologies is admitted to the official list of the NSX ("Jaz Options").

The issue of the Jaz Options was conditional upon and subject to members of Jab approving the issue of the Jaz Options in accordance with Chapter 2E of the Corporation Act and Jab obtaining any other approvals that may be required pursuant to the Corporations Act or the Listings Rules of the NSX. The members of Jab subsequently approved the issue of the Jaz options.

Following member approval for the issue of the Jaz Options, the Jaz Options vest progressively on the last day of each month after listing for a period of two (2) years, with the number of Jaz Options vesting being 80,000 Jaz Options provided that the average market price (weighted by reference to volume) of Jab's shares on the NSX is equal to or greater than twenty-cents ($0.20) for that month.

Both the Company and Jaz are entitled to terminate the Agreement upon giving three (3) months written notice. Further, the Company is entitled to terminate the Agreement upon the happening of various events with respect to the solvency and conduct of Jaz and Mr Ioannides.

Non-executive Director Agreement
Mr Stark has been appointed as a non-executive director of the Company for a period of three (3) years from the date of listing of the Company to assist the Company in developing and commercialising its products.

For the provision of Services under the Agreement, Mr Stark will be:

a) paid a fee of $1,200 per month;

b) paid a consulting retainer of $1000 per month; and

c) issued with the total of 360,000 options to subscribe for ordinary shares in the capital of the Company on the last trading day at the month in which Jab Technologies is admitted to the official list of the NSX ("Stark Options").

A total of 95,000 options were distributed to Jaz and Mr Stark as at 31 December 2005. The amount represented by the options is included in the $152,000 "Directors' options charged as an expense of the period". The balance of $133,000 represents options Directors may earn in the next nine (9) months, subject to milestone achievements noted above.

Director's Declaration

In accordance with a resolution of the directors of Jab Technologies Limited, we state that:

1. The directors declare that the financial statements and notes set out on pages 12 to 27 in accordance with the Corporations Act 2001:

    (a) Comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

    (b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2005 and of its performance as represented by the results of its operations and its cash flows, for the half-year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that Jab Technologies Limited will be able to pay its debts as and when they become due and payable.

On behalf of the Board

S Ioannides
Director

Brisbane, 16 March 2006

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INDEPENDENT REVIEW REPORT TO THE MEMBERS OF JAB TECHNOLOGIES LIMITED

Scope

The Financial Report and Directors' responsibilities

The financial report comprises the consolidated income statement, consolidated balance sheet, consolidated cash flow statement, accompanying notes to the financial statements, and the Directors' declaration for Jab Technologies Limited and its controlled entities ("the consolidated entity") for the half-year ended 31 December 2005. The consolidated entity comprises Jab Technologies Limited ("the company") and the entities it controlled at the end of, or during, the half-year.

The Directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review Approach

We have conducted an independent review of the financial report in order for the company to lodge the financial report with the Australian Securities & Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with Accounting Standard AASB 134 : Interim Financial Reporting, other mandatory financial reporting requirements in Australia and the Corporations Act 2001, a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows.

Our review procedures were limited to:

i) inquiries of the company's personnel of certain internal controls, transactions, significant accounting estimates and individual items; and
ii) analytical procedures applied to financial data

Review Approach (continued)

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The Australian Auditing Standards do not require, and we have not undertaken, an analysis of the appropriateness of the business decisions made by the Directors or management.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Review Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Jab Technologies Limited is not in accordance with:

a) the Corporations Act 2001, including:

    i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
    ii) complying with Accounting Standard AASB 134 : Interim Financial Reporting and the Corporations Regulations 2001; and

b) other mandatory financial reporting requirements.

PITCHER PARTNERS

R J St Clair
Partner

Brisbane, 15 March 2006